

*The U.N. Oil-for-Food Programme: What Went Wrong—and Right?**
By John G. Ruggie†

Editor's Note: Reports that the U.N. Oil-for-Food Programme (OFFP) enabled Saddam Hussein to embezzle billions of dollars have caused a considerable media stir. Accusations of U.N. incompetence, neglect and misconduct in the administration and oversight of the OFFP have led to several broadside attacks on the United Nations. To offer a fuller and more accurate picture of this complex story, UNA-USA is pleased to issue this Policy Brief by U.N. veteran and scholar, John G. Ruggie.

As a former U.N. Assistant Secretary-General, I would be sickened if even one of my former colleagues at the U.N. were found guilty of wrong-doing in the Oil-for-Food Programme. Secretary-General Kofi Annan has stated that, if that were to be the case, "he or she will be dealt with severely, their privileges and immunities will be lifted so that, if necessary, they will be brought before the court of law and dealt with, in addition to being dismissed." S.G. Annan has demonstrated his commitment to transparency and integrity in very difficult situations before, including the inquiries into Rwanda, Srebrenica and the security failures at Baghdad headquarters. So I agree fully with Ambassador John D. Negroponte's assessment at the April 2004 Senate Foreign Relations Committee hearings on this subject, when he said: "I believe that the fundamental motivation of the Secretary-General is to have maximum transparency."

An independent inquiry headed by Paul Volcker is now underway; the other members are the highly respected Justice Richard Goldstone of South Africa, and Swiss law professor Mark Pieth, an internationally recognized expert on money-laundering. The panel's mandate is to investigate not only possible individual malfeasance, but also whether there were overall improprieties in the administration and management of the OFFP. The panel has been endorsed by a unanimous Security Council resolution, and the S.G. has pledged to open every file, and make available every official, it needs to fulfill its mandate. Mr. Volcker, Mr. Goldstone and Mr. Pieth confirmed the U.N.'s cooperation in a press statement last month: "The Committee has been provided full access to relevant U.N. records. All U.N. staff has been ordered to cooperate fully with the Committee as a condition of employment."

Critics of the U.N. have been quick to claim that individual greed and bureaucratic interests in the U.N. were responsible for all that went wrong with the OFFP—some of them out of sheer eagerness to score points against the U.N. and to render it an illegitimate, and

* Adapted from Prof. Ruggie's statement before the House Committee on International Relations, April 28, 2004.

irrelevant instrument of American foreign policy in the economic and political reconstruction of Iraq.

But even if charges against individuals were proven to be true – and it is important to remind ourselves that, so far, none have been – that story would remain partial and skewed. In the interest of maximizing lessons learned, I would like to suggest that this episode of the world's relations with Saddam Hussein, like many others, illustrates the deeper reality that the U.S. and U.N. often found themselves forced to choose the lesser of evils in trying to get the job done in Iraq. Ten core facts will help illuminate this more complex reality.

1. The 1991 Gulf War left Saddam Hussein in power as the authoritarian master of a sovereign state, and that is how the rest of the world, including the United Nations, was obliged to deal with him thereafter.
2. The world community, led by the United States, imposed a disarmament and sanctions regime on Saddam, designed to destroy his weapons of mass destruction (WMD) and deny him the capability to reconstitute, or the resources to purchase, such weapons in the future. There were efforts from the start to include a humanitarian component in the sanctions to offset their adverse effects on the Iraqi people, but Saddam rejected it as an intrusion into Iraqi sovereignty. In any case, in 1991, no one anticipated that sanctions would remain in place as long as they did.
3. By the mid 1990s, Saddam was still in power, smuggling substantial quantities of oil out of the country. He was still suspected of developing WMD, so sanctions remained necessary. But the human costs the sanctions imposed on the Iraqi people became unbearable – not for Saddam, who could not have cared less, but for the international community. So we – the outside world – persuaded *him* to allow us to feed *his* people and to provide them with necessary medicines and other humanitarian goods, funded through the supervised sale of Iraqi oil. That's how the Oil-for-Food Programme came into existence. One question that has been asked repeatedly of late is: Why was Saddam allowed to pick and choose with whom to contract these sales and purchases? The answer is obvious: He did not accept any other terms. Saddam was fully prepared to let innocent Iraqis suffer, blame the consequences on the sanctions, and have the U.S. take the hit in international public opinion.

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At this point, I need to describe the overall structure of the OFFP. Imagine, for starters, that a U.S. Congressional committee was assigned responsibility for supervising the current reconstruction of Iraq, and that its members had to approve every contract with Bechtel, Halliburton or any other firm providing goods and services there. Imagine further that the committee designated a unit in one of the departments of government – say a group of civilians in the Pentagon – to prepare the paperwork, as well as to monitor, and for some parts of the country, actually execute the program in Iraq. That's how the OFFP was set up; the Security Council exercised oversight, and the Office of the Iraq Program supported the Council's work and was responsible for its implementation on the ground.

4. The OFFP had no responsibility for preventing Saddam from smuggling oil out of the country. The U.S. set up a special maritime force in the Persian Gulf for that purpose, but according to the U.S. General Accounting Office (GAO), it interdicted only about 25 percent of the outflow. The evening news at the time showed trucks weighed down with Iraqi oil rolling into Jordan and Turkey; it was also public knowledge that oil was pipelined into Syria. Perhaps the U.S. thought the quantities involved weren't large enough to worry about. Or perhaps, we realized that the Iraq sanctions had hit Iraq's neighbors particularly hard – as sanctions invariably do. And because some of those neighbors were our close allies, including in the struggle against Saddam, we may simply have chosen to ignore that illicit trade. Whatever the case, here's the important point for the OFFP: the recent GAO report states that Iraq gained \$10.1 billion from illegal oil revenues and kickbacks, but \$5.7 billion of that – well over half – actually came from smuggling, which was entirely unrelated to and preceded the OFFP. Needless to say, the remaining \$4.4 billion is still a lot of money, and it is directly associated with the program. So let's look more closely at that.

5. The Security Council had oversight for the OFFP – a committee of the whole called the 661 committee, after the number of the resolution that authorized the sanctions in the first place. It approved roughly 36,000 contracts over the life-span of the program. Every member had the right to hold up contracts if they detected irregularities, and the U.S. and the United Kingdom were by far the most vigilant among them. Yet, as best as I can determine, of those 36,000 contracts, not one – not a single, solitary one – was ever held up by any member on the

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grounds of pricing. But the U.S. and U.K. held up several thousand contracts because of dual-use technology concerns. What does this suggest about their motives? Stupidity? Complicity? Or competing priorities? I strongly suspect it was the latter. Support for the sanctions was eroding fast. Saddam's allocation of contracts significantly favored companies in some of the countries that were also represented on the committee. So it seems reasonable to infer that the U.S. and U.K. held their noses and overlooked pricing irregularities in order to keep the sanctions regime in place and to put all their efforts into preventing dangerous technologies from getting into Saddam's hands. Besides, we need to bear in mind that the magnitude of the skimming problem was not known to anyone at that time; it has become clear only as files have been opened in Baghdad.

6. What did the U.N. staff do about these things? Time – and the Volcker inquiry – may tell that they did not do enough, or worse. But fairness requires us also to acknowledge that it was U.N. oil overseers who first alerted the 661 committee to Saddam's oil-pricing scam, in which he undercharged some buyers, who then made excess profits on resale and shared the proceeds with Saddam. The U.S. and U.K. then persuaded the committee to change the rules of the oil-pricing game, significantly limiting, if not completely eliminating, the problem.

7. Detecting price padding in Iraq's purchase of goods in many cases was harder because obvious benchmarks were lacking, or because the goods were custom-made. I understand that the Secretariat, as a rule of thumb, allowed a small margin of variation, roughly 10 percent, based on some comparative shopping. Saddam may well have learned to game the situation because he kept most surcharges within this band. Nevertheless, I am told that the Secretariat, on numerous occasions, delayed contracts for further investigation and alerted the 661 committee to unresolved pricing concerns in Iraq's purchase of humanitarian goods. But, as noted earlier, the committee seems to have held up no contracts on these grounds.
8. Related to this point, the issue of transparency and accountability – or the alleged lack of it – at the U.N. has been raised repeatedly in the recent OFFP debates. The U.N. is an organization of governments; they make the rules, and the Secretariat is held accountable to them. In addition to having to approve all OFFP contracts, every member of the 661 committee received and reviewed the program's regular external financial audits.

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The inference that I draw from these facts is that the overriding policy priorities were the maintenance of sanctions on Saddam Hussein in order to deny him WMD, together with limiting the adverse humanitarian impact of those sanctions on the Iraqi people. Other issues, including pricing scams and kickbacks—the full magnitude of which would have been difficult, if not impossible, to know at the time—seem to have been considered less important. Were these the wrong priorities? Could the same aims have been achieved through cleaner means? I'm not sure that I am smart enough or wise enough to answer those questions. Nevertheless, in concluding, I would like to stress two final points that have been largely overlooked in the frenzy of charges against the U.N. and some of its officials:

9. From everything we now know, it would appear that Saddam's WMD were eliminated, and that he was prevented from rebuilding them successfully. Intellectual honesty requires us to acknowledge that U.N. weapons inspections and sanctions contributed to that outcome.
10. In addition, however ill-conceived the design of the OFFP may have been, and whatever its management failures may turn out to be, it, too, served the purposes that were asked of it. According to the official records:
- Enough food was imported to feed all 27 million Iraqis, and their average daily caloric intake increased by 83 percent. Malnutrition rates among children under age 5 in the center/south region in 2002 were half of those of 1996; in the three northern governorates – the Kurdish region – chronic malnutrition decreased by 56 percent.
 - The program substantially improved health services by expanding surgical and laboratory capacity, reducing communicable diseases, ensuring the importation of

vaccines that eliminated polio from the country, and helping to reduce child mortality.

- Oil-for-Food contributed significantly to demining and an increase in agricultural production and helped prevent further degradation of the country's public services. Clean water and more reliable electricity were provided for millions of Iraqis and the infrastructure and functioning for the country's housing, transportation and education systems were improved.
- And the evidence suggests that the OFFP worked better in every respect in the northern governorates – or the Kurdish region – because the U.N. was directly responsible and did not have to work through Iraqi government agencies. Northern Iraq is more prosperous and stable today as a result.

America is discovering in Iraq today that we do not have a surplus of policy instruments to deal with the proliferating and escalating challenges that confront us there. In fact, the reverse is true. If we are going to learn lessons from past experience, they need to include not only what we did wrong, but also what we did right. But we absolutely cannot afford to allow whatever did go wrong to be used as a pretext for undermining the legitimacy and utility of the United Nations to the people of Iraq – and to ourselves.

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